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SUBJECT: NEW GOVERNMENT'S AGENDA: FANFARE FOR THE COMMON MAN

11. (SBU) Summary: Indian President Pratibha Patil's address to a joint session of Parliament on June 4 outlined the achievements of the previous United Progressive Alliance (UPA) government and charted a road map for the next five years. It was largely in-line with the Congress Party's election manifesto in reinforcing the themes of security, dignity and prosperity. Patil laid out a range of UPA programs - such as food guarantees and public healthcare/educational investment - that have helped to lift up low and moderate income voters who form the bulk of the population. In doing so, the Congress is sticking with the "aam admi" (common man) approach that, according to conventional wisdom, helped to sweep the party to victory in two consecutive national elections. The President also paid close attention to improved governance, which has been echoed publicly by government officials as a key priority for the UPA.

12. (SBU) Summary (continued): In reaffirming the UPA government's commitment to strengthening ties with the major international powers, Patil singled out the United States and the transformed relationship. Amid heightened tensions in the India-Pakistan relationship, Patil indicated India would be open to "reshaping" its relations with Islamabad if the GoP took credible action to dismantle the terrorist infrastructure. End Summary.

No Discretion

13. (SBU) President Pratibha Patil's June 4 address is the highlight of the short parliamentary session, which runs from June 1-9. Indian Presidents have no discretion on the content of Presidential addresses to Parliament, which under the Constitution are written by the incumbent government and are used to lay out its goals and policies. Accordingly, Patil's address outlined the broad agenda and goals of the UPA government for its second term in office. Her remarks were reportedly heavily worked on by Prime Minister Manmohan Singh himself. The President's address will be followed by a "motion of thanks," where the priorities and policies outlined by the President are debated in the separate houses of Parliament.

Focus on "Inclusive" Growth

¶4. (U) While the speech was a laundry list that included an effort or initiative to target every sector and interest group, it was clear that the focus was on the schemes intended to benefit low income rural voters. She viewed the election results as a "vindication of the policy architecture of inclusion" that the UPA pursued in its last term. Over the last five years, the UPA has implemented social and infrastructure programs targeting rural India. As such, she called for job reservations for women and a host of programs for ethnic minorities and lower caste groups. Specifically, she noted that the National Rural Employment Guarantee (NREGA) Program would be expanded.

¶5. (U) Although she was not forthcoming with details, it is likely the government will look to implement its promise in the Congress Manifesto that would increase eligible participation in NREGA to all members of a rural household, not just one job per household. There has also been talk of introducing the program to urban areas, but the low minimum wage and nature of work would likely find less demand in the cities. The President also promised a second Bharat Nirman, a rural infrastructure program started in 2004 which targeted 100 percent rural electrification, vast increase in rural roads, more rural housing, improved water systems and expanded rural telephony, but only partially met its targets.

¶6. (SBU) The speech also carried a heightened focus on food security, noting plans to enact a new National Food Security Act, which would enshrine in law a right for the poorest to

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affordable food, a move seen as similar to the right to work given by the NREGA Act. In line with the election manifesto, Patil pledged that every family below the poverty line would be entitled to 25 kilograms of wheat or rice per month at Rs. 3 per kilogram, which could raise the USD 9.2 billion food subsidy bill closer to USD 10 billion. Health and education are the other key social sectors where the UPA is aiming to significantly expand service delivery to the large numbers currently left out of such public assistance, especially in the rural sectors.

No Program Left Behind

¶7. (U) Patil covered all the bases with her laundry list of priorities:

- Security: Maintaining internal security and preserving of communal harmony;
- Economic Growth: Expanding economic growth in agriculture, manufacturing and services sectors;
- Education/Employment Infrastructure: Consolidating government programs for education, employment, health, rural infrastructure and urban renewal; new flagship programs for food security and vocational skill development;
- Welfare: Addressing urgent social welfare issues of women, youth, children, other backward classes, scheduled castes, scheduled tribes, minorities, handicapped persons and senior citizens;
- Good Governance: Adopting governance reform;
- Energy/Environment: Ensuring energy security and environmental protection;
- External Affairs: Engaging with the rest of the international community; and
- Entrepreneurship: Promoting a culture of enterprise and innovation.

U.S.-India Relationship a Priority

¶8. (SBU) Patil reaffirmed the Singh government's commitment to deepening the U.S.-India bilateral relationship. "The momentum of improvement of our relations with the major powers will be maintained. The transformation of our

partnership with the United States of America will be taken forward," Patil stated. She underlined the challenges ahead in pursuing India's "non-aligned" interests while strengthening strategic relations with global powers. Besides consolidating existing partnerships with the U.S., Russia, China, Japan and the E.U., Patil indicated the GOI would expand relations in Africa, West Asia and Latin America.

Strengthened Regional Ties

¶9. (SBU) On Pakistan, Patil added that India would be ready to "reshape" its relationship with Islamabad if the GoP took credible action to dismantle the terrorist infrastructure, which has been a stumbling block to resuming the Composite Dialogue with Pakistan. In the only line that drew sustained applause across the political spectrum, Patil pledged to work closely with the Government of Sri Lanka to provide relief to those affected by the conflict: "We will support initiatives in Sri Lanka, which can lead to a permanent political solution of the conflict there and ensure that Sri Lankans, particularly Tamils, feel secure and enjoy equal rights so they can lead a life of dignity and self-respect." The GOI, she added, has a vital interest in working along side SAARC member nations to promote stability, development and prosperity in the region. "The government will sincerely work with our neighbors to ensure that outstanding issues are addressed and the full potential of our region is realized," Patil explained.

Reviving Economic Growth

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¶10. (SBU) In order for the UPA to implement development promises, Patil said that it was critical to significantly increase GOI revenue by implementing reform measures that return India to the 8-9 percent annual growth rates that preceded the global economic crisis. The President identified a return to rapid economic growth as a high priority for the government, signaling several areas of market reform and liberalization that could accelerate economic growth. Avoiding specifics, she noted a need to increase resources in the banking and insurance sectors, which for banks should mean increased equity shares to the public, and for insurance, signals an intent to raise the cap on foreign direct investment (FDI) in the sector from 26-49 percent. Patil gave a nod to the "positive effect" of FDI and the need to encourage more flows. Once again reflecting the Congress Manifesto, she asserted the government will prepare a roadmap for selling minority shares in state-owned companies, which would modestly boost government revenues by USD 5-6 billion. The President further pledged that the move to a national Goods and Service Tax (GST) - tentatively planned for April 2010 - would be "vigorously pursued." The government will also need these revenue-boosting reforms if it pursues another fiscal stimulus package in the upcoming budget. Patil suggested another stimulus might be coming, focused on still-suffering exporters and small companies.

Primary Education for All

¶11. (U) Patil touted the success of the programs promoting universal primary education and declared her government's intention to put forward a bill in the Parliament that makes free and compulsory education a right. The new UPA administration is focused on making "massive investment" in education and institutionalizing national skill development with a goal of adding 500 million skilled workers by 2022.

Women's Reservation Bill Gets Traction

¶12. (SBU) Patil also touched upon the impending Women's Reservation Bill. This bill will reserve one third of the total seats in Parliament and State Assemblies for women, as well as reserve 50 percent of all seats in local government bodies in both rural and urban governing bodies for women. She also outlined the UPA's government's goal to increase representation of women in central government jobs to alleviate the "multiple degradations of class, caste and gender" by supporting their engagement in the public sphere.

Improved Governance, Election Takeaway

¶13. (SBU) A consistent theme throughout the President's address is the government's aim to improve governance, through more effective and efficient delivery of program services to the intended beneficiaries. A number of newly assigned ministers have struck this theme in recent days and President Patil emphasized its importance in her speech to Parliament. For example, she noted that bottlenecks and delays in implementation of infrastructure projects must be removed, in order to meet rural infrastructure project targets. Patil also pledged "systemic reform" in the public distribution system (PDS) as part of the government's move to increased food security. The PDS is often criticized for weak delivery and massive "leakages." Other governance improvements include the introduction of a pan-India identity card, through which the myriad existing government benefits could be delivered more efficiently. Finally, the President suggested the government will create a monitoring cell to track ministries' performance, require social auditing of NREGA, which has improved government administration in states like Rajasthan, and issue yearly progress reports in the social sectors.

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Comment: Striking a Balance on Reforms

¶14. (SBU) President Patil's address suggested that the government is likely to follow a balanced approach to reforms. The Congress-led coalition won an unexpectedly strong victory in the national elections last month, which has raised expectations that it will push ahead with reforms and sales of state assets. However, the government has not lost sight of its main elections plank of "inclusive growth." The UPA remains focused on the aam admi - through rural employment, free housing and food security - and will likely move forward with selective economic reforms to balance interests of their rural constituents. With a combined fiscal deficit approaching eleven percent of GDP, however, the government will be hard-pressed to increase spending without reforms to boost revenues.

Comment: Governance, a new electoral trend?

¶15. (SBU) We will watch carefully whether President Patil's constant reference to improved governance is mere rhetoric or if it reflects a determined effort on the part of government to improve its own efficiency and effectiveness. There is some evidence that it may be the latter. Planning Commission Deputy Chairman Montek Singh Ahluwalia has reportedly ordered a study on how India can streamline and consolidate the dozens of ineffective and often untapped government benefits offered to the most vulnerable, and possibly substitute cash transfers for health, education and income support. End

Comment.
BURLEIGH